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From:

Sent: Friday, January 09, 2009 12:00:08 PM

To:

Cc:

Subject: Response to your QSST question

This responds to your question regarding whether incorrect reporting and payment of taxes by a qualified Subchapter S trust (QSST) described in § 1361(d) terminated either the QSST election under § 1361(d)(4) or the S election under § 1362(d)(2). According to the facts provided, the QSST reported on its income tax returns the items on the Schedule K-1 it received from the S corporation in which it held stock and paid the resulting taxes, rather than the beneficiary reporting the items on his individual income tax returns and paying the taxes consistent with § 1361(d)(1)(B). The filing of an improper tax return and payment of taxes by a QSST rather than the beneficiary are not circumstances described in §§ 1361(d)(4) and 1362(d)(2). Thus, the improper filing and payment by itself did not cause termination of the QSST or S elections.

Please call me if you have any questions. Thank you.
